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CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I

OF IMMEDIATE INTEREST

BLOC CAMPAIGN FOR SUMMIT CONFERENCE

Soviet bloc efforts to encourage Western support for a summit conference have received added impetus from a Polish memorandum elaborating on the Rapacki plan for a nuclear-free zone in Europe. The memorandum, intended to make the plan more attractive to the West, outlines proposals for ground and aerial control with adequate control posts for enforcement. Poland states that agreement on a nuclear-free zone would "facilitate" an agreement to reduce conventional armaments and foreign forces stationed in the zone. The memorandum also stipulates that missile launching bases as well as nuclear weapons would be banned in the zone and that powers possessing nuclear weapons would be expected to pledge not to use them against targets in the zone.

The most important concession to the West in the Polish memorandum which was presumably approved by Moscow was the statement that the Rapacki plan could be implemented by unilateral declarations instead of international agreements to avoid the problem of recognizing East Germany. There have been previous indications of differences between Warsaw and Moscow on this issue, with the USSR, Czechoslovakia, and East Germany insisting on an East German-West German agreement to adopt the Rapacki plan.

A Soviet statement on 19 February endorsed the Rapacki plan without commenting on its detailed provisions. Moscow appeared to be following the

Polish formula to avoid the problem of recognition of East Germany. The Soviet statement ignored the question of controls and inspection in the zone.

German Unification

The USSR remains adamantly opposed to the consideration of German unification by a summit conference. Khrushchev's recent 25X1
Die Welt interview underlined his rigid stand on Germany.

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In a recent interview with a West German newspaper, Ulbricht reiterated the East German plan for a very loose confederation in which the two German states would be equally represented and each could veto action by the confederation. All-German elections would be indefinitely postponed. This plan is tantamount to no unification.

Soviet officials continue to make vague hints about unification, however, in order to 25X6
keep alive neutralist sentiment,

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Chinese Participation

Moscow has given general endorsement to Chinese claims for a voice in settling international issues without specifically endorsing a Chinese seat at the summit. Premier Bulganin's message of 10 January concerning a summit agenda said that "questions directly relating to the Chinese People's Republic can be solved only with its participation" and criticized the exclusion of China from the examination of unsolved international problems. Recent Soviet propaganda on the eighth anniversary of the Soviet-Chinese treaty also emphasized that China must participate in the solution of international questions.

Peiping has fully endorsed Bulganin's letters concerning a summit meeting and, like Moscow, has avoided explicit insistence on Chinese Communist participation in summit talks. In support of the apparent effort to lay the groundwork for a potential Chinese role in

the talks, a nonparty spokesman for the regime early in February urged a meeting at the summit of the United States, Britain, and the USSR and expressed the hope that France, Canada, India, Egypt, and China would also take part. On 10 February Chou En-lai affirmed China's readiness to "make positive efforts" to realize the Soviet summit proposals and gave assurances of China's willingness to "undertake corresponding obligations." (See following article.)

Moscow may raise the issue of Chinese attendance at a summit conference more directly in order to test Western reaction and to reinforce its claim for parity between East and West in the membership of a conference. It may urge Chinese participation in certain aspects of the conference such as discussions on disarmament. On 21 December Foreign Minister Gromyko criticized Western exclusion of China from disarmament talks. Although Moscow probably will not make Chinese participation a rigid prerequisite for a summit conference, it may introduce the question even at the risk of delaying the conference.

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CHINESE DECLARE INTENT TO WITHDRAW TROOPS FROM KOREA

Peiping's announcement that all Chinese Communist troops remaining in North Korea will be withdrawn by the end of this year is the strongest bid yet made by the Communists to induce UN withdrawals from the South. The Communists will concentrate their campaign on

the charge that the United States is the main obstacle preventing Korean reunification. Peiping is hopeful that its gesture, in contrast to the American introduction of atomic cannon and other modern weapons into South Korea, will place the United States at a propaganda and diplomatic

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disadvantage and force a suspension of the rearmament program in the South.

The announcement was made on 19 February in Pyongyang, and was the culmination of Chou En-lai's state visit to North Korea. Chou, before leaving Peiping, had promised the Chinese would take the initiative in breaking the Korean "deadlock" and had declared he would negotiate with the North Koreans the question of Chinese withdrawals.

The withdrawals are to be made in stages, the first of which is to be finished before 30 April. Chinese withdrawals would have no material effect on the military situation in Korea. [REDACTED]

The announcement paves the way for Pyongyang to renew efforts aimed at achieving North-South contacts and eventual reunification on Communist terms. Peiping may have had additional objectives in mind. The Chinese in recent weeks have endorsed Nehru's suggestion that Asia and the Near East be established as nuclear-free zones and may hope to make Korea the pretext for developing international support for demilitarized areas in the Far East. Krishna Menon has already welcomed the Chinese offer as a move toward peace. By focusing world opinion on a Far Eastern issue and the nuclear-free concept in Asia, Peiping is bidding for a part in international talks--a bid supported on 20 February by the Soviet Foreign Ministry, which urged a nuclear-free Korea and a "meeting of interested governments" to discuss a Korean rapprochement.

Peiping may also see its announcement regarding the troop withdrawal from Korea as enhancing prospects for its ad-

mission to the United Nations. The aggressive posture of Communist China in Korea has been used as an argument for keeping Peiping out of the UN.

For their part, the North Koreans will probably attempt to exploit the announcement by renewing their calls for direct negotiations with Seoul and closer contacts between North and South. Pyongyang is expected to urge cultural exchanges and to propose talks concerning trade and fishing rights. Willingness to supply the South with electricity generated at the large hydro-electric plants in the North is likely to be reiterated also. The North Koreans profess to see such exchanges as preliminaries to reunification elections which, they insist, must be held under supervision of neutral nations, and not the UN.

Chinese Communist troop withdrawal would meet one of President Rhee's most insistent demands, namely, that the elimination of these forces must precede that of UN troops. He will oppose any UN withdrawals, however, at least until Peiping gives firm guarantees that its troops will not return to Korea, and almost certainly until the United States "modernizes" his own army. While he has previously intimated he might be receptive to a new conference on unification, the Chinese withdrawal would be unlikely to alter his stand which, in effect, makes North Korean capitulation to his demands the price of unification. These demands include recognition of Seoul's sovereignty over the entire peninsula, the "surrender" of all North Korean armed forces, and UN-supervised elections only in the North and similar to those held in South Korea on five occasions since 1948. [REDACTED]

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MIDDLE EAST DEVELOPMENTS

Egyptian-Syrian Union

Considerable political turbulence appears to have developed inside Syria in the wake of the Egyptian-Syrian union. The Syrian authorities claim to have uncovered a plot which they are publicizing as inspired by the "imperialists."

Syrian military units have been deployed around Damascus in defensive posture, extra precautions are being taken at the borders, and military units elsewhere in the country have been put on the alert. Some of these precautions might have been taken in any event in anticipation of the United Arab Republic plebiscite scheduled for 21 February and the visit to Syria by Nasir which reportedly is to follow immediately.

Yemen

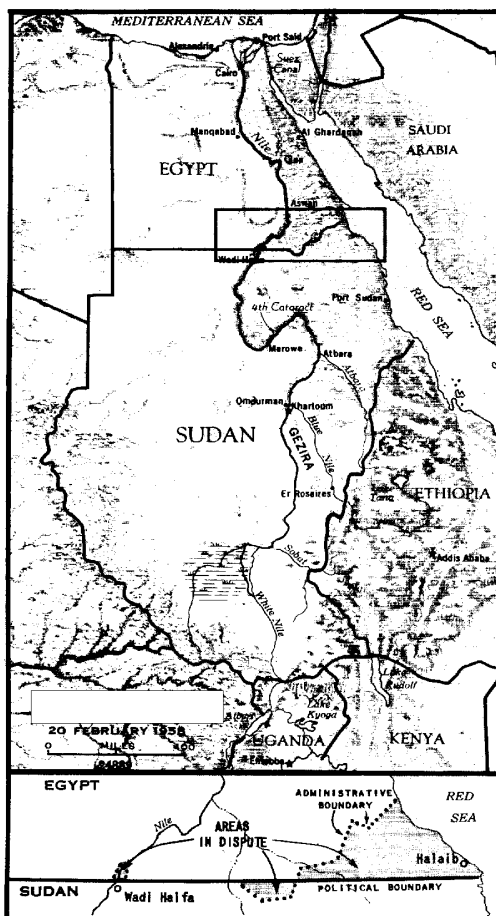
Nasir has stated that final agreement with Yemen has been reached so that the Yemenis can "confederate" with the United Arab Republic. He and the Imam are supposed to alternate as chairman of an executive council, while a number of subsidiary councils are to handle specific problems. Yemen, according to Nasir, will nevertheless retain its separate international identity.

Iraqi-Jordanian Federation

The Iraqi-Jordanian federation has met relatively quiet acceptance inside the two countries. Their future relations under federation seem plagued by many of the same doubts and suspicions that have accompanied the Egyptian-Syrian moves.

Iraqi tendencies to assume top army commands in both countries may arouse hostility among Jordanian officers, although the latter are to benefit by having their pay raised to the Iraqi standard.

Kuwait's relations with either or both unions may be clarified soon; an announcement of "major importance" to the sheikdom is allegedly set for 25 February.

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Egyptian-Sudanese Border Dispute

The dispute which flared this week between Egypt and the Sudan over the status of three border areas has strong political overtones for the Sudanese Government, which faces parliamentary elections scheduled for 27 February to 8 March. At the very least, Khalil probably hopes the dispute with Egypt will arouse anti-Egyptian sentiment which would strengthen his party's position in the elections, since he has been identified with a policy of

rigid independence of Egyptian influence.

Nasir's motive in opening the issue is still obscure; he may have had in mind some previous political result, or the Egyptians may have related the subject to the Aswan High Dam negotiations, since part of the Wadi Halfa area to be flooded by the dam is included in one of the disputed areas. The breakdown in negotiations between the Sudanese foreign minister and Egyptian authorities on 19 February puts the next move up to Cairo. 25X1

THE TUNISIAN SITUATION AND THE POSITION OF THE FRENCH GOVERNMENT

Anglo-American "Good Offices"

The principal value to Tunisian President Bourguiba of the interjection of the United States and Britain into his long-standing dispute with France is the fact that he no longer feels isolated. As a minimum result of Anglo-American efforts, he will expect the early evacuation--preferably by 20 March--of all French forces from Tunisia, except the base at Bizerte. He plans the eventual transfer of Bizerte to NATO. He also expects backing for his demand that France close five of its outlying consulates in Tunisia, which the Tunisians consider to be espionage centers.

France has moved to limit "good offices" to the latest dispute engendered by the French bombing of the Tunisian village of Sakiet Sidi Youssef on 8 February and to frustrate Bourguiba's obvious attempt to use American and British "good offices" as a means toward a settlement of the Algerian rebellion. France will not accept

any implication that the rebellion is involved in the Tunisian negotiations. Paris proposes instead that "good offices" be confined to action to relieve Tunisian restrictions on French troops, formation of a "no-man's land" on the Algerian side of the border, establishment of a commission under a neutral chairman to supervise the border, and efforts to re-establish bilateral negotiations broken off by Paris in mid-January.

When the UN Security Council on 18 February indefinitely suspended discussion of the Tunisian and French complaints, the Tunisian delegate firmly reserved his government's right to ask the council to discuss the issue, if "good offices" do not produce quick results.

In Tunisia, tempers are wearing thin because France has not yet begun to withdraw or regroup any of its estimated 25,000 army, air force, and navy personnel now in the country. Incidents such as the kidnapping

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on 19 February of a Tunisian administrator and two national guardsmen by the French garrison at Remada in remote southern Tunisia could easily incite widespread anti-French disorders. Suspicion is widespread that Bourguiba has been tricked into permitting French troops to be provisioned and that the gesture of going to the UN Security Council may have been deliberately frustrated by the American-British "good offices" maneuver.

Prospects for Gaillard

Premier Gaillard's coalition, already split in the current debate on constitutional reform, is also faced with the threatened withdrawal of rightist support if Gaillard backs down on maintaining Bizerte as a French naval base. The loss of rightist votes would probably mean the end of the present government.

The National Assembly has begun debate on constitutional amendments which would buttress the premier's position considerably by making the overthrow of a government more difficult and by greatly increasing his powers to dissolve the assembly. Although there is general support in France for constitutional reform in principle, each party has its own program, and few deputies feel bound to back their parties' official proposals.

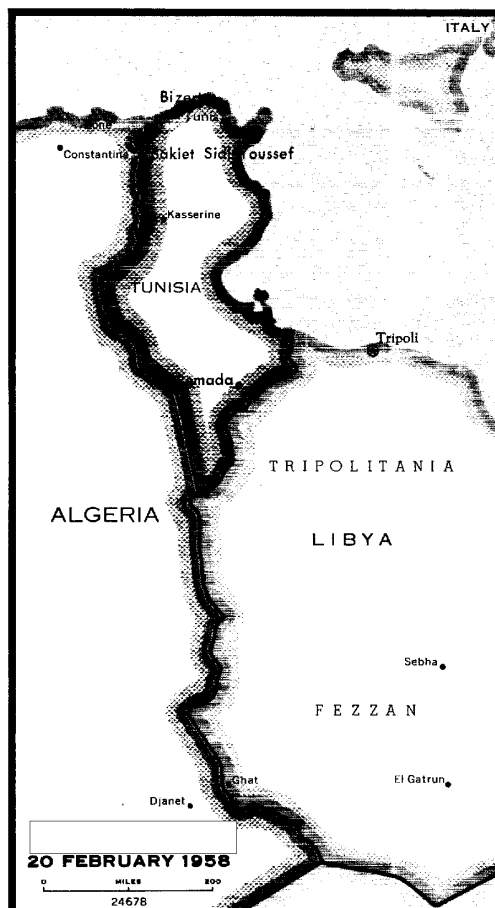
Despite the premier's earlier enunciation of his intention to press the issue, he has since stated he will accept amendments to the bill during debate. The cabinet has authorized him to call a confidence vote, however, which he will probably do when it becomes apparent that the assembly is ready to gut his proposal.

The rightists have severely attacked his bill, and their fears

that Gaillard may concede too much to Tunisia may strengthen their willingness to make an all-out attack on his constitutional revision. Their position on the status of Bizerte has the support of the military and of those who would regard a NATO solution as implying internationalization of the Algerian rebellion. They may use this nationalistic issue as justification for abandoning the government.

Gaillard may thus be forced to go slow in the Tunisian negotiations, and he would then face renewed irritation among Socialists and Popular Republicans, who already believe he has yielded too readily to the demands of the military.

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President Sukarno, while trying to avoid civil war, is pursuing a firm policy toward the Central Sumatran rebel government. He has stated he will not set up a new anti-Communist cabinet or reshuffle the present one to conciliate the dissidents. The moves already taken by Army Chief of Staff General Nasution almost certainly have had his approval.

with Nasution by supplying troops for a civil conflict.

On Sumatra, commanders of two areas--Atjeh in the north and the province of South Sumatra--have not yet made clear whether they are loyal to Djakarta or the dissidents. South Sumatra has assumed a pose of neutrality while actively cooperating with the rebels. The Djakarta government appears increasingly to regard South Sumatra as a rebel area, has outlawed the Garuda Council there, and has ordered the closure of one of the South Sumatran ports. Atjeh has long been a troubled area, and Djakarta may fear that the Atjehnese, a minority group desiring local autonomy, will make an arrangement with the Central Sumatran rebel government.

One of the chief determinants as to whether the central government will initiate military action is the problem of troop transport. A further problem, however, is the availability of troops. Presumably they would be drawn from Java, and evidence is conflicting as to whether the territorial commanders there would cooperate

North Celebes has openly declared its support for Central Sumatra, but military commanders elsewhere in Indonesia have reiterated their loyalty to Djakarta.

Djakarta's economic difficulties continue, gravely aggravated by the December 1957 anti-Dutch campaign and the 14-month problem of provincial dis-

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PART II

NOTES AND COMMENTS

CYPRUS

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Foreign Secretary Lloyd's cautiously optimistic statement before Parliament on 18 February that a solution to the Cyprus problem was possible, and calling for further discussions with Greek and Turkish officials, probably was vague enough to cause no immediate repercussions in Greece or among the Greek Cypriots.

There may be some misunderstanding among Greek Foreign Ministry officials as to exactly what Britain proposed during the recent exchange of views between Lloyd and Greek leaders in Athens. They appear convinced that London proposed granting Turkey a military base on Cyprus, possibly under NATO sponsorship, while giving the Cypriots self-government for a specified interim period. This would be followed by the exercise of self-determination and probably enosis--union of Cyprus with Greece. Actually, London has no intention of permitting enosis, and the Greek misinterpretation probably derives from Lloyd's efforts to be conciliatory.

Greece would accept self-government for Cyprus for a limited period with self-determination to be guaranteed at the end of that time or with the eventual status of Cyprus left for future examination. Athens rejected any form of partition for Cyprus, but agreed to examine detailed plans for a Turkish base on the island.

There now appears to be a slight majority among the Greek Cypriot leadership in Athens which favors passive resistance to the British over any renewal of violence. Whether the Greek Cypriot organization EOKA can continue to maintain the morale of its members during a long period of inactivity, however, remains questionable, and the possibility exists that individual members will take rash action on their own initiative.

A divergence of views may be developing between the Greek Government and Makarios. Foreign Minister Averoff and Prime Minister Karamanlis favor resolving the Cyprus issue as soon as possible. Makarios, however, is adamantly opposed to any Turkish base on Cyprus and any solution not leading to eventual self-determination for the island as a unit. He favors continued negotiations with Britain and pacification of the Turks while waiting for a Labor government in Britain.

Meanwhile, any acts of violence by Turkish Cypriots against the Greek Cypriot majority would almost certainly lead to retaliation by EOKA, with subsequent violent repercussions for the Greek minority in Turkey and the Turk minority in Greece.

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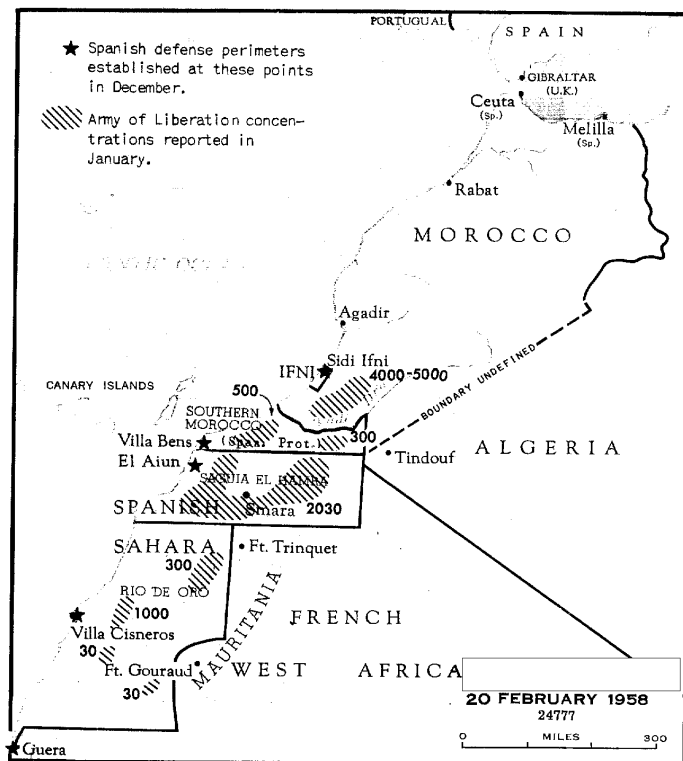
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****20 February 1958****SITUATION IN THE WESTERN SAHARA**

Spanish forces in West Africa, apparently supported by French troops from Mauritania, are continuing the campaign they launched last week to destroy irregular Moroccan Army of Liberation concentrations in the western Sahara. A tight area-wide news blackout--especially on the French side--impedes an accurate assessment of the situation, but so far tangible results of the operation appear to be meager.

Contrary to earlier Spanish reports which spoke in terms of a sweeping joint offensive designed to clear simultaneously the Ifni enclave and all of Spanish Sahara as well as northern Mauritania, recent information indicates that the two powers have been concentrating their efforts in Saguia el Hamra and that only minor clashes have occurred in Ifni and Rio de Oro. Spain's Southern Morocco protectorate, where both Spain and France recognize Morocco's sovereignty, has thus far not been involved in the present operations,

Spain withdrew its West African forces to five coastal perimeters, but so far very few of the elusive, though poorly armed, guerrillas have been killed or captured. Hampered by weather conditions which have restricted air activity, the attackers failed in an attempt to trap some 1,000 of the irregulars west of the desert village of Smara. These elements are now being pursued northward and eastward, apparently in an effort to cut them off before they reach the protectorate. The two French regiments which are said to have participated are now reported returning to their base at Fort Trinquet.

Meanwhile, other Spanish and French forces are reported preparing to move against the guerrillas in Rio de Oro, and an all-out Spanish drive to regain



In Saguia el Hamra, the attacking troops appear to have recovered nominal control of much of the territory abandoned in December when

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full control of Ifni may be near. Fighting has increased in the enclave since 1 February, but its scope is still obscure. The bombardment of a coastal village by a Spanish warship on 19 February was the first action of its kind reported from the area since mid-December.

The Moroccan Government, fearful of public reaction to the latest developments, has at least until recently, apparently sought to curb local publicity. Since 15 February, however, the principal newspaper of the dominant Istiqlal party has been publishing its own version of recent events in the western Sahara, and this reporting--exaggerated and inflammatory in the past--is likely to precipitate a general country-wide wave of indignation against the Spanish and the French. Already excitement over the joint operations has reached such proportions in the Agadir region that Moroccan King Mohamed V felt it necessary to send two cabinet ministers there on 19 February to exert a calming influence.

Publication by the Istiqlal press of recent Army of Liberation claims that "American-made"

planes have been employed against the irregulars appears to be a deliberate effort to direct some of this indignation toward the United States and, specifically, its bases and personnel in Morocco. Even though such claims may be unfounded and categorically denied, they are likely to be widely accepted and thus to contribute to anti-American feeling which has long been fed by an underlying Moroccan suspicion that the United States is underwriting France's and Spain's efforts to hold their positions in North Africa. Reports from Morocco indicate that this anti-Americanism was noticeably stimulated by the 8 February French attack--with American-made aircraft--on the Tunisian border village of Sakiet Sidi Youssef.

Ambassador Cannon in Rabat is seriously disturbed by the present trend of developments in the area. If it is not halted soon, he foresees eruptions all along the Moroccan border from Algeria to the Atlantic, the fusion of the Saharan and Algerian conflicts, and, ultimately, Morocco's direct involvement in an all-out, North Africa-wide struggle to oust all Western influence. 25X1

THE ISRAELI-SYRIAN DEMILITARIZED ZONE DISPUTE

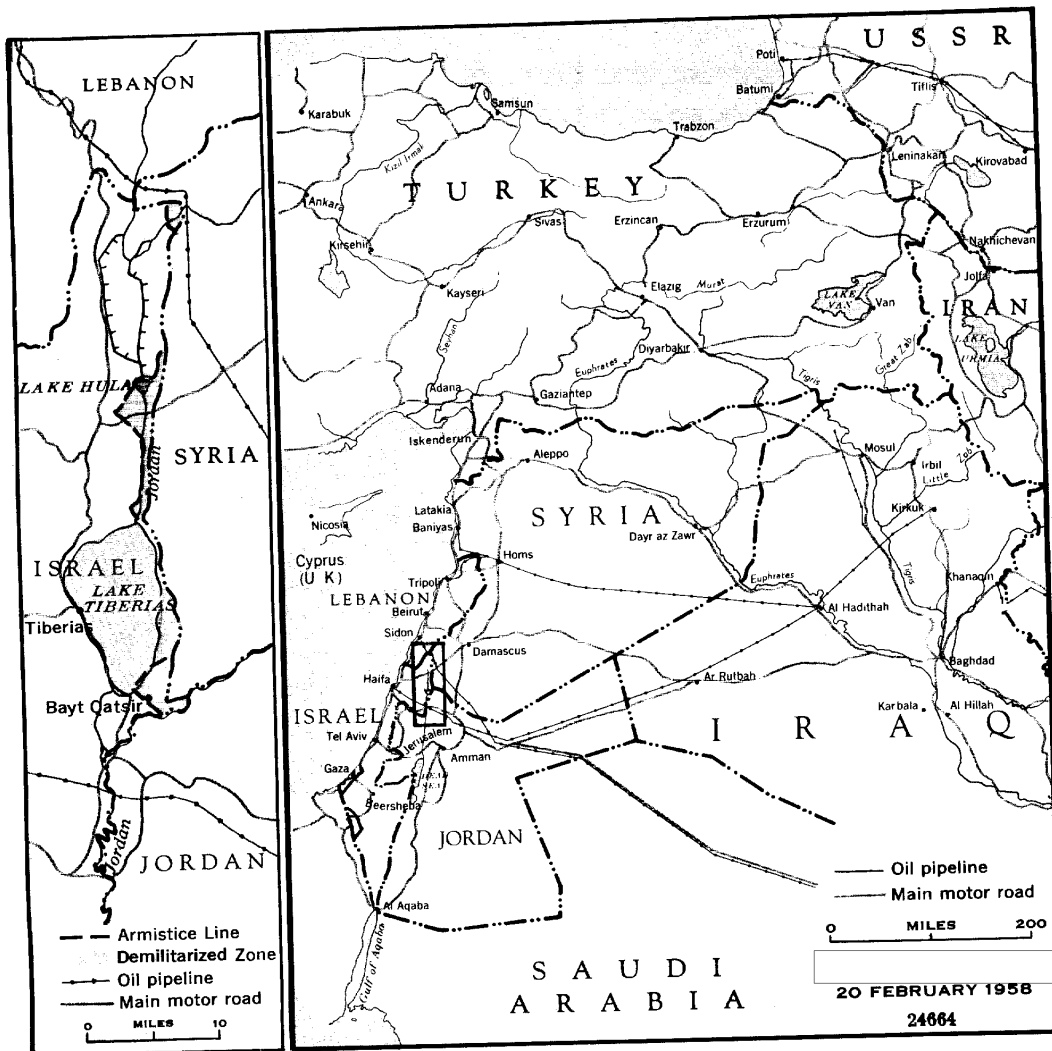
Tensions along the Israeli-Syrian border, which periodically cause armed clashes, derive at least in part from the disputed status of the demilitarized zone between the two states which was established by the 1949 General Armistice Agreement.

Article V established three separate areas as a demilitarized zone, pending a final territorial settlement. The armed forces of both states were to be excluded, and it was separately agreed that "civil administration, including policing, will be on a local basis, without raising general questions of administration, juris-

diction, citizenship, and sovereignty."

The Israelis have since interpreted these statements as meaning that the formal question of sovereignty over the zone was only deferred, that Israel was not in any way required to renounce its full rights within the zone, and that Syria's "complete and definite" withdrawal from the area was a precondition of the armistice agreement. Syria, of course, takes a contrary position. Before the war, Israel had been awarded the territory in question by the 1947 UN partition of Palestine.

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The recurrent incidents in and around the zone--some 14 so far this year--generally result from Israel's repeated assertions of sovereignty and Syria's resistance to Israeli "infringements" of Syrian rights in the zone. The Israelis maintain that their activities are "civilian" and thus outside the purview of the Mixed Armistice Commission. Israel in fact has gradually gained physical control over most of the demilitarized areas and has restricted Arab movements and activity there as well as observation by UN truce officials.

On 28 January, Israeli police, clearing away land mines in an area intended for cultivation,

were fired on by Syrians from across the border. The Israelis then moved in additional troops. Syria claimed the incident was staged by Israel in preparation for planned aggression in line with Israel's "policy of the fait accompli." Although this incident was localized, it is indicative of the charged atmosphere in the zone which could readily be the starting point for a larger engagement if the merged forces of Syria and Egypt should decide to attack or if Israel should determine that it must strike before Arab effectiveness is significantly increased.

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REORGANIZATION OF SOVIET FORCES IN GERMANY

A reorganization of the Group of Soviet Forces in Germany (GSFG) during the past year has resulted in the creation of two tank armies and the conversion of former rifle divisions and some mechanized divisions into new-type motorized rifle divisions. These developments, which would permit a reduction of approximately 15,000 Soviet troops in East Germany without decreasing Soviet capabilities, reflect a Soviet desire to improve the balance between armor and infantry in forward areas, and may be followed by further changes. The reorganization would increase the capability for a rapid push to the chan-

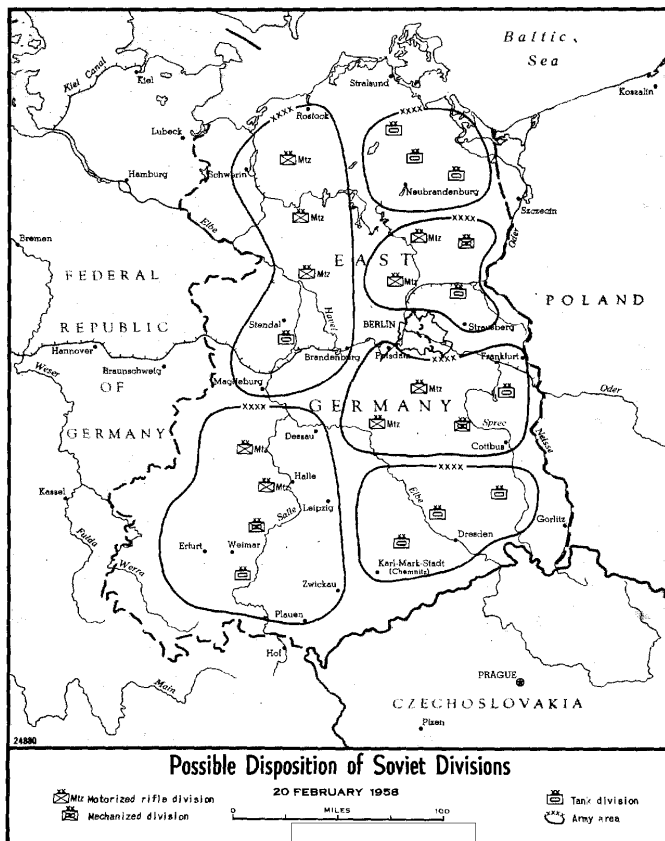
nel under conditions of nuclear warfare.

The two tank armies were created in May through a resubordination of divisions which left the First and Second Armies with three tank divisions and no mechanized divisions. These are the only Soviet armies known to be composed of tank divisions alone.

Each tank division has received enough heavy tanks from mechanized divisions to permit the formation of an additional heavy tank battalion. One of the medium-tank regiments in each tank division has been

deactivated, some of the tanks of which have been shipped to rifle divisions. The tank divisions also have lost one of their two artillery regiments, but the remaining artillery regiment has been strengthened.

Each of the other four armies in East Germany consists primarily of reorganized rifle divisions which have greater firepower, armor, and mobility than the former rifle divisions had. Out of ten mechanized divisions formerly in GSFG, five appear to carry the designation "motorized rifle" and each appears to have lost one of its two artillery regiments and its heavy tank-assault gun regiment. Two of the former mechanized divisions possibly have been converted to tank divisions and appear to

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have received additional T-54 medium tanks, heavy tanks, and assault guns. Three of the mechanized divisions remain unaltered. In a statement on 18 February, the commander of the GSFG said that two mechanized divisions would be included in the units to be withdrawn in the next month.

The former rifle divisions, having received rocket launchers and armored personnel carriers, have improved their mobility and firepower. It is also probable that an additional tank battalion has been assigned to each of the rifle regiments.

The artillery brigades of the former mechanized armies now are being equipped with 152-mm. howitzers and 130-mm. and 122-mm. guns; as a result

all the GSFG armies will be so equipped. The six 240-mm. rocket launchers mounted on a tracked vehicle first observed in the 7 November Moscow parade were recently observed within GSFG, and probably have been allocated to the rocket regiment of army artillery or the rocket brigade of an artillery division.

The obsolete 203-mm. howitzers which were withdrawn from GSFG in 1956 have not been replaced by the 203-mm. gun-howitzers observed in the 1955 May Day parade. This leaves GSFG without heavy artillery support, which may be provided at some future date by the mobile artillery rockets and missiles seen in the recent Revolution Day parade.

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HUNGARY

Since the appointment of Ferenc Muennich as premier on 27 January, the Hungarian regime has made efforts to define its policies and to keep party factionalism in check by a vigorous reaffirmation of the ostensibly middle-of-the-road position adopted last year. The leaders thus hope to reconvert Hungary into a reliable and accepted member of the Soviet bloc.

Despite new appointments to key positions of persons favoring even harsher tactics, the regime's policies remain essentially the same, and the consolidation of the faction-ridden Hungarian party around Kadar's leadership continues to be a prime goal. The Hungarian people probably realize that these changes will not alter the character of the despised Kadar leadership.

Crucial in the drive for "normalcy" is the attempt to enhance the international stature of the regime and achieve recognition from Western countries. Attempts by the Hungarian Government to secure an exchange of visits with Tito and Gomulka appear to have failed, reportedly because of Yugoslav and Polish reservations concerning Kadar. Kadar now will visit Rumania's Gheorghiu-Dej instead, from 23 to 28 February, probably considering the Rumanians--the most moderate of the "orthodox" satellites--the next best choice.

The recent appointments of Moscow-trained career diplomat Endre Sik as foreign minister and proregime Calvinist Bishop Janos Peter as his first deputy are apparently calculated to present an appearance of moderation in dealings with Western and uncommitted countries.

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The governmental changes were aimed, in part, at removing the "Quisling" stigma from the Hungarian Government by shifting Kadar to party affairs, a position from which he presumably can continue to control developments, but in a less overt manner. The replacements came mainly from those elements in the party who prefer a harsher tactical line than either Moscow or Kadar can afford at this time, which destroys any illusion that some liberalization might have been possible under the once moderate Kadar after the pressures of the postrevolutionary era had been eased.

First Deputy Premier Apro's 29 January address to the National Assembly and party secretary Karoly Kiss' February lecture serve to define the regime's current policy aims. One is to bring order out of Hungary's economy through closer supervision, elimination of widespread mal-

feasance, increased labor productivity, and better labor discipline.

Of equal concern, the regime intends to restrain factionalism and correct a lack of party discipline. Many party functionaries, in the belief that the moderate tactics of the Kadar leadership cannot impose "socialism" in Hungary, either disobey the party directives or show reluctance to carry out even the limited action which the leadership wishes. In agriculture, their obstructionist attitude regarding voluntary collectivization is hampering the socialization campaign.

The method by which party discipline is to be enforced is not clear, but as long as Kadar enjoys Moscow's confidence and Moscow is obliged to make up Hungary's annual economic deficit, these functionaries will have to accommodate themselves to Kadar's leadership.

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USSR EXERTS NEW PRESSURES ON JAPAN FOR PEACE TREATY

The USSR is attempting to draw Japan into peace treaty negotiations by stalemating discussions for an agreement on fishing in the northwest Pacific. Soviet officials have proposed peace treaty talks and simultaneously have refused to discuss measures to safeguard Japanese fishermen from seizures by Soviet patrol boats, on the ground that the issue is inseparable from that of territorial claims in the southern Kuril Islands.

Soviet negotiators probably hope to force Japan to abandon its claim to the Soviet-occupied islands of Etorofu and Kunashiri in the Southern Kurils, the

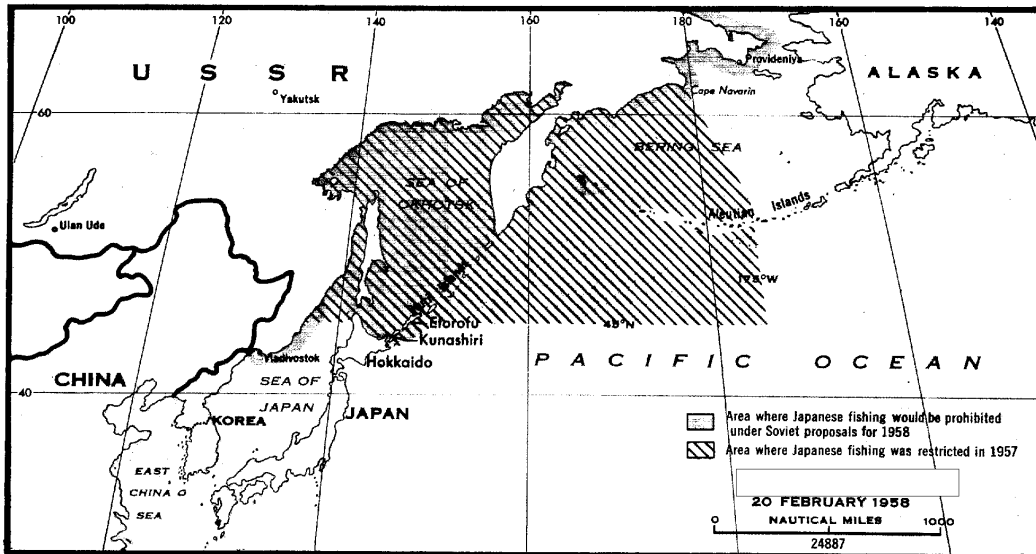
major obstacle to a peace treaty. Japanese response has been one of official indignation and some confusion. Government and conservative party leaders are agreeable to resuming peace treaty discussions, but only on condition that Moscow concede Japan's right to the disputed islands and that peace treaty and fishery talks be kept separate.

The Japanese position on fisheries is weak and if the USSR rejects these conditions, as seems likely, the Kishi government may be forced by fishery interests to enter into concurrent peace treaty and fishery discussions. Kishi, however, probably will not relinquish Japanese territorial

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claims. Foreign Minister Fujiyama, noting the inflexible position of both sides on the territorial problem, has said that prospects for a peace treaty appear "hopeless."

In its request last June for an agreement to safeguard Japanese fishing vessels in Kuril waters, Tokyo apparently did not anticipate resurrection of the territorial question. Japanese officials now fear

Moscow will insist that negotiations on other fishery problems--catch quotas, restricted areas, and length of the season--be contingent on resumption of treaty talks. To obtain a satisfactory catch quota Tokyo may be willing to accept further restriction of fishing areas. As the beginning of the season in May approaches, Kishi will be under heavy pressure to obtain some kind of fishery agreement.

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USSR SALES IN WORLD TIN AND ALUMINUM MARKETS GROW

The Sino-Soviet bloc during 1957 sold significant amounts of tin and aluminum at prices below those in the depressed free world market, and is continuing to do so in 1958. These sales are helping to alleviate the bloc's scarcity of foreign exchange; Soviet sales expanded greatly last year and earned at least \$30,000,000 and possibly as much as \$50,000,000 in foreign exchange. It has been reported that the USSR is now concluding long-term contracts to supply these metals

in Western Europe. Soviet bloc tin has recently been accepted as meeting standard specifications, permitting it to be sold through the London Metal Exchange, as is most tin produced in the free world.

The Soviet sales are an added burden to the regulatory operation of the International Tin Council--composed of the major free world tin producers--which has had further to increase its tin purchases in order to maintain world market prices.

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Although the bloc traditionally has depended on imports for a major part of its tin supply, increasing production in Communist China enabled the USSR last year to export 7,000 tons--about 5 percent of free world demand. According to the Chinese press, Peiping plans to increase production capacity to 30,000 tons by 1962, further strengthening the tin supply position of the bloc.

The Soviet bloc initiated exports of aluminum to the free world in 1955 with deliveries of 12,000 tons. In 1956 these sales rose to at least 30,000 tons. On the basis of partial

data for 1957 these large exports are expanding. Canadian producers are already indicating that stepped-up Soviet aluminum sales are disturbing Canadian markets in Western Europe.

The USSR is the major aluminum producer in the bloc. Output in the USSR, which totaled only 155,000 tons in 1950, rose by 250 percent to 550,000 tons in 1957. Hungary and Czechoslovakia also produce exportable surpluses, while China is self-sufficient. The ability of the Sino-Soviet bloc to produce aluminum for export also is expected to continue in the future. (Prepared by ORR)

25X1

SOVIET CONCERN OVER "PARTIAL INVIGORATION" OF RELIGION

The "partial invigoration" of religion in the USSR and the necessity for changed tactics in combating it were discussed at a recent Soviet conference on atheistic propaganda attended by over 350 propagandists and lecturers affiliated with the all-union Society for the Dissemination of Political and Scientific Knowledge. The regime is apparently concerned over evidences of reforms within religious sects which increase their popular appeal by bringing their beliefs more in line with scientific discoveries and the needs of their parishioners.

The last antireligious campaign was initiated by a decree of 10 November 1954 signed by Khrushchev stipulating that the campaign against religion must not insult clergy and believers or portray them

as "persons not deserving political trust." It called for the recruitment of propagandists well trained in science and capable of exposing the "fantastic fictions" on which religions rest.

The recent publication of the collected works of E. Yaroslavsky, former head of the League of the Militant Godless and editor of its journals who died in 1943, also indicates this change of propaganda technique. Soviet readers are reminded that Yaroslavsky rejected "rudeness and ridiculing of religious feelings" in favor of "constructive" measures, such as building rural libraries and cultural centers.

In March 1957 an attempt was made to eliminate bureaucratic duplication and step up atheistic propaganda by

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transferring propaganda lecture functions from the Ministry of Culture to the Society for the Dissemination of Political and Scientific Knowledge. However, criticisms of the handling of atheistic propaganda have continued to appear.

Churches in the Soviet Union have traditionally refuted scientific interpretations of the world. But now, according to M. B. Mitin, chairman of the society, clergymen, using new arguments, "pretend to be friends of science" and "preach the necessity of a union of science and religion." However, he points out, the society's lecturers on atheism recite the same speeches given in 1918 and often "remain captive to quotations or to generally known propositions which have been raised into dogma." Mitin observes that to handle the new situation, the society's lecturers should preferably be teachers, agricultural specialists, and scientists well versed in "concrete knowledge."

Several participants at the conference called attention to the ignorance of most lecturers concerning contemporary religious literature and ideas, and proposed that the society publish a journal to assist propagandists in understanding religious concepts. The suggestion that "anti-Soviet" philosophies be investigated would have been unthinkable during Stalin's regime, even for official propagandists. However, it is clear that the purpose of any such superficial acquaintance with religious ideas would be to provide better means to destroy them in the mind of the people, especially the younger generation.

The conference has been followed in recent weeks by a series of antireligious radio speeches and press articles designed to point out the "unscientific" and "superstitious" nature of religious beliefs. As yet it is not clear whether this campaign, unlike the similar attack in 1954, is to become a fixture on the social scene.

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PROGRESS ON CONSTRUCTION OF TRANS-SINKIANG RAILWAY

After a year of relative inactivity, the Chinese are planning this year to extend their section of the Trans-Sinkiang Railroad 195 miles to Hami. This line will connect the Soviet republic of Kazakhstan with Communist China. In the summer of 1958, the USSR plans to complete the 195-mile section which runs through Soviet territory. Afterward, Soviet specialists reportedly will be asked by the head of the Designing Institute of the Chinese Ministry of Railways to assist in work on the Chinese

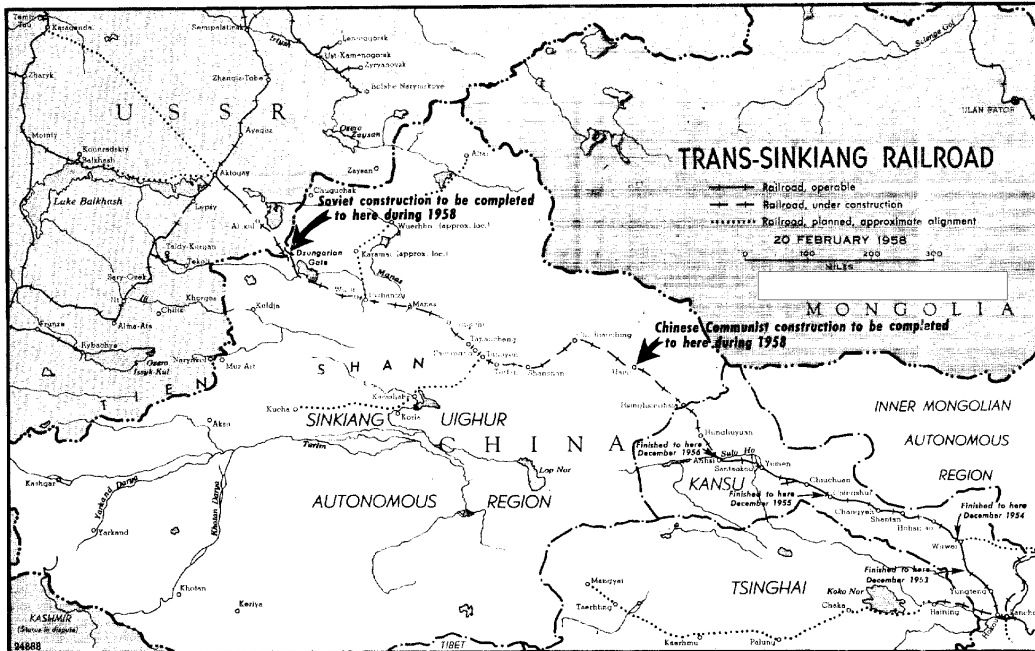
sector. The transloading point will probably be built near Wusu or Urumchi in northwestern China rather than at the border.

This railway will shorten the route from Moscow to Peiping by over 600 miles and will relieve the Trans-Siberian line of some of its load. The other two USSR-China routes--the Trans-Mongolian and the Manchurian--use the Trans-Siberian as far eastward as the Chita area. The transloading point of the Trans-Mongolian railroad is well inside China, while those of the

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Manchurian route are at the border. The new railroad will run through undeveloped oil fields near Urumchi.

The very high tempo of construction by the USSR on its segment of the line in comparison with other USSR railroad construction efforts and the possible employment of Soviet personnel on the Chinese section up to Urumchi suggest that the Soviet Union may be eager

to complete the railroad. Since Soviet construction and supply trains would be used during construction, the track in the Chinese sector between the border and the Urumchi area will probably be laid initially as broad gauge, and this may necessitate future conversion of at least a portion of the line to Chinese standard gauge and establishment of a permanent trans-loading point.

(Prepared by ORR)

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JAPANESE LABOR PRACTICES UNDER INTERNATIONAL CRITICISM

The labor practices of the Japanese Government, particularly the restrictions on the right of public service workers to strike, have been strongly criticized in a report by an investigative team of the International Confederation of Free Trade Unions (ICFTU) and the International Transport Workers' Federation (ITF). The

report tends to support the stand taken by Japan's leftist labor organization, Sohyo, in its struggle with the Japanese Government. An ITF official has disclaimed any intention to appeal to the International Labor Organization (ILO) for a boycott of Japanese products, but the Kishi government, fearing international repercussions

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which might affect Japan's markets, may revise its labor laws.

The ICFTU made its investigation at the request of Sohyo and issued a report on 27 January. The report censured the government for denying the strike privilege and freedom of association to public service workers, for inadequate procedures for mediation and arbitration, and for dismissals of striking national railway union leaders during 1957.

An ICFTU team which had visited Japan earlier suggested that international labor interests might best be served by working through Sohyo, and the latest report may be an attempt to curry favor with Sohyo leaders and attract its subordinate unions to ICFTU affiliation. These tactics reflect the confederation's conclusion that extremist elements in Sohyo can be managed more effectively from within than by the external pressures employed by the Japanese Government.

The ICFTU report will strengthen Sohyo's stand against the government and undercut Zenro, a moderate rival federation. Zenro is the only labor federation in Japan supporting the ICFTU's position on Communism and also contains the only unions cooperating with the government's productivity program. The ties of Zenro unions with the free world labor unions could be permanently damaged if the ICFTU continues to favor Sohyo.

Prime Minister Kishi's government appears determined to maintain a firm line against what it and the general public consider excesses by the public enterprise workers in Sohyo. However, the government may be forced to make some revisions in the labor laws and be more cautious in its relations with labor. The government probably wants to avoid making an international issue of Japan's labor difficulties for fear of jeopardizing overseas markets.

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PAKISTANI BUDGET DEBATE

The fate of economic development proposals to be presented to the Pakistani National Assembly in late February or early March in the budget for the fiscal year beginning 1 April will probably determine whether Pakistan can make a firm effort during the coming year to halt the serious decline in its economic position. Without more rapid economic development, the overall situation in Pakistan will probably continue to be unstable.

In recent years, individual and party rivalries seem to have

loomed more important in most Pakistani politicians' minds than their country's welfare. By 1957 food production failed to meet needs, and development expenditures had produced inflation, unfavorable balances of trade, and heavy drains on foreign exchange reserves rather than an improvement in the standard of living. In 1957 American aid supplied one third of the government's revenues.

During 1957 Pakistani government leaders began to recognize the gravity of this situation.

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The Finance Ministry and the Planning Board differed, however, over the best means to meet the problem. At meetings on 11 and 13 January 1958, the National Economic Council decided in favor of the Planning Board, which had argued for maintaining the highest possible rate of development and increasing taxes.

Thus the budget, when presented, will probably advocate increased taxes and continued development spending to the extent of \$388,500,000. This figure, which is probably all the Pakistani administrative services can handle, is considerably below the \$504,000,000 projected for 1958-59 in Pakistan's Five-Year Plan (1955-60).

While the new budget probably has the support of most top government leaders, there is some doubt whether the members of the National Assembly, which began its budget session on 17 February, will cooperate in passing it. In February 1957, the finance minister had to take the unprecedented step of withdrawing from his proposed budget about \$17,000,000 to \$19,000,000 in new taxes as a result of widespread criticism in and out of the assembly. Many elements in Pakistan will view with alarm proposed new taxes for 1958-59 of \$75,600,000. Should the economic development sections of the new budget become involved in party maneuverings for political power, improvement in Pakistan's economy might be postponed for at least another year.

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SOUTHERN RHODESIAN PRIME MINISTER OUSTED

Garfield Todd, prime minister since 1953 of the self-governing British colony of Southern Rhodesia, was ousted from leadership of the ruling United Federal party on 8 February at a special party caucus because of his liberal views on race relations. His ouster was attacked by African leaders, who viewed it as repudiation by white settlers of racial partnership. The action will probably increase British opposition to quick independence for the Federation of Rhodesia and Nyasaland, which includes Southern Rhodesia and the British protectorates of Northern Rhodesia and Nyasaland. Todd presented his resignation to the governor on 17 February after his successor, Sir Edgar Whitehead, succeeded in forming a cabinet that received support in the party caucus. The new government is virtually assured of a vote of confidence in the

Southern Rhodesian legislature later this month.

Although party opposition to Todd developed ostensibly over economic measures, particularly his raising of minimum wage rates, most observers attribute his ouster to his liberal racial ideas. The leading exponent of African advancement in central Africa, ex-missionary Todd has tried to carry out former Prime Minister Lord Malvern's theory of racial partnership which would encourage African development and eventual equal participation in the government.

In its five years of existence, the Federation of Rhodesia and Nyasaland has generally pursued moderate racial doctrines, but there has been growing reluctance among the European electorate to change basic segregationist practices. This attitude has been

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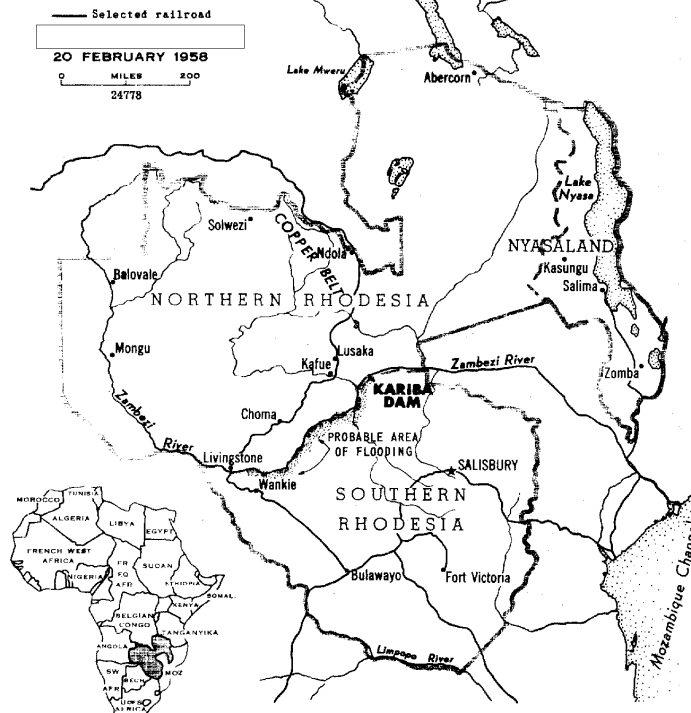
strengthened by the influx of artisans from Britain and elsewhere in Europe who are trying to safeguard their relatively high wages from African competition.

As a result, the governing United Federal party, on both a federation-wide and territorial basis, has sought increasingly to soft-pedal multi-racialism and to strengthen the party's appeal to the electorate, which has shown growing sympathy for the segregationist-minded Dominion party. Many party leaders regarded Todd as too liberal and, therefore, a campaign liability.

His ouster will have a strongly adverse effect on the largely unenfranchised African majority of the population, who regard him as their chief European friend. His repudiation will strengthen the African extremists who have argued since 1953 that Rhodesian policy was almost as bad as that of the Union of South Africa and had nothing to offer the African. Thus there

will be an acceleration in the process of racial polarization.

Todd's loss of power will have a profound effect on British opinion as well. There is much skepticism in London of Rhodesia's desire to advance the Africans, and a new Rhodesian franchise bill was approved by Parliament only with the application of strictest party discipline. Britain is not likely to sympathize with the settlers' desire for independence in 1960 if suspicious of the federation's racial policy.

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25X1**RHODESIA AND NYASALAND****PROSPECTS FOR PRESIDENT-ELECT YDIGORAS IN GUATEMALA**

Guatemalan President-elect Miguel Ydigoras Fuentes, who is to visit Washington on 24 and 25 February, is scheduled to assume the presidency for a six-year term on 2 March. Ydigoras' regime will be weakened by the absence of solid

military support and by the fact that he will have to depend, at least at the outset, on a minority party for his organized political support.

Ydigoras, a 62-year-old retired general, has actively

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aspired to the presidency since 1944 and was the chief opponent of pro-Communist Jacobo Arbenz in the 1950 election. After preliminary returns in last October's rigged election showed him trailing his government-supported rival, Ydigoras showed considerable courage--and a notable adeptness at rousing--by leading a campaign of mob violence that forced the ouster of the interim Gonzalez regime and the nullification of the election. In the generally free election of 19 January, he won a plurality of about 41 percent, with moderate candidate Cruz Salazar winning 30 percent and leftist Mendez Montenegro about 28 percent.

Throughout his political career, Ydigoras has been an adept fence-straddler. He gained his high military rank under the pre-1944 Ubico dictatorship, and Guatemala's reactionary landowning class has long been the core of his political support. He has,

nevertheless, managed to gain considerable middle- and lower-class backing and has endorsed the liberal and democratic aspirations of the popular revolution which ousted Ubico. During the recent campaign, he exploited the perennial bugaboo of the United States' "economic imperialism," but he is believed basically friendly to the United States. He has committed himself on no major domestic issue except his opposition to Communism and his promise to form a government of anti-Communist unity.

Ydigoras' administration will probably not be politically stable. Even the relatively popular Castillo Armas had to suppress four military conspiracies during his three years in the presidency. Ydigoras has many enemies in the seriously factionalized but still politically influential army. Even in Congress, Ydigoras supporters will be in a minority in the vaunted anti-Communist coalition in which bitterness between his backers and those of Cruz Salazar is still strong.

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CONTINUING INSTABILITY IN COLOMBIAN POLITICS

Previously accepted plans for the return to constitutional government in Colombia are imperiled by the resurgence of a faction of the Conservative party which has fascist tendencies and opposes the agreement for a government with equal representation of the Liberals and Conservatives, Colombia's only major parties. Responsible political leaders feel that if this faction makes further gains it may be in a position to obstruct the functioning of the new congress, which is to be elected on 16 March preparatory to the election of a president in May.

The interim military junta which ousted dictator Rojas

last May promised to restore civil government if the Liberals and Conservatives would set aside their feud, which has resulted in an estimated 100,000 deaths since 1948. The two parties have since formally agreed to a 12-year political truce and equal participation in the new government. The junta has scheduled congressional elections for 16 March, presidential elections for 4 May, and its own withdrawal from government in August.

The Conservative party is already divided between the followers of moderate ex-President Ospina, who supports the joint Liberal-Conservative presidential candidate Leon

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Valencia, and the followers of right-wing ex-President Laureano Gomez, who opposes the Valencia candidacy. Both groups now feel threatened by the growing influence of the extreme right-wing supporters of Gilberto Alzate, who is closely associ-



ALZATE

ated with the recently deposed dictatorial regime.

Valencia may voluntarily give up his candidacy in the interest of unity between the two antifascist factions. Such a withdrawal, however, would probably be interpreted as a sign of weakness in the Ospina ranks and may result in domination of the Conservative party by Laureano Gomez--a development not conducive to re-establishment of the democratic institutions he helped

destroy during his 1950-1953 term as president. If Valencia refuses to step down, Alzate's faction will probably continue to gain strength and could seriously upset the two-party balance at the congressional level.

Even after 16 March, when the relative strengths of the Liberal party and of the various Conservative political factions become known, the Colom-



VALENCIA

bian political situation will continue to be unstable. The deteriorating economic situation, resulting from falling coffee prices and the government mismanagement of the last five years, will probably add to the general instability and further aid the activities of demagogues or Alzate.

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SCANDINAVIA AND EUROPEAN ECONOMIC INTEGRATION

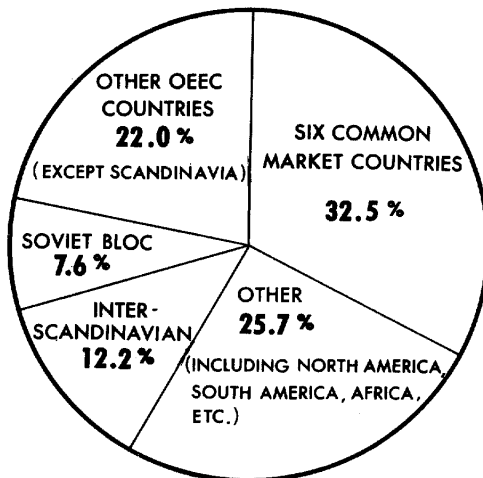
Denmark, Norway, Sweden, and Finland seem convinced that the progress of European economic integration makes necessary some corresponding move on their part, but they are officially maintaining a "wait-

and-see" attitude on the form this move should take. The favored solution appears to be adherence to the proposed free trade area (FTA), but there is also much sentiment for creating a "Nordic market" either as a unit

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SCANDINAVIAN FOREIGN TRADE - 1956**TOTAL : 10.2 BILLION DOLLARS**

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within the FTA or as an alternative in case the FTA fails to materialize.

The general preference for the FTA over any smaller grouping reflects the fact that almost 60 percent of the four countries' total trade is with other Western European countries while inter-Scandinavian exchanges account for only 12 percent. The industrial federations of the four countries went on record in late January as favoring adherence to the FTA and recommending that their respective governments follow a common policy in negotiations. Labor, though taking no such decided stand, also seems to favor eventual FTA membership.

The chief opposition is likely to come from agriculture, which, except in Denmark, is highly protected and would face serious difficulty in a broader market arrangement encouraging lower tariffs and keener competition. In Denmark, on the other hand, agri-

cultural commodities constitute about 60 percent of the value of total exports. Since at the present stage of negotiations most agricultural products appear unlikely to be included in the FTA, Danish farm interests are leery of that grouping and favor joining the more extensive economic union of the six-nation Common Market. For the present, however, they seem inclined to await the outcome of the FTA negotiations before pressing the issue.

The idea of a "Nordic market" arouses interest chiefly as a step toward association with a larger Continental arrangement, mainly by enabling Scandinavia to negotiate as a bloc representing a market of some 20,000,000 persons. There is also a belief that its creation might make it politically easier for the Finns to join the FTA, since Finland is constrained by its delicate relations with the Soviet Union to move cautiously in any association with Western economic integration plans.

Further discussions concerning Scandinavian economic cooperation have been postponed until October, by which time it is expected that major decisions concerning the FTA will have been made. If the FTA negotiations encounter serious difficulties, the Scandinavian countries may then move ahead with the "Nordic market" and perhaps seek a link in some way with the United Kingdom. Another alternative may be to negotiate individual ties with the Common Market.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****20 February 1958****WEST GERMAN FINANCIAL PROBLEMS**

Largely because of its schedule of rising defense expenditures, the West German Government faces deficit financing for the first time since 1952.

In late January the budget showed a cash deficit of \$768,000,000, or about 10 percent of the total cash expenditure for the current year, and a higher figure is expected by 31 March. The American Embassy in Bonn forecasts a deficit of about \$960,000,000 for 1958-59, increasing to \$1.2 billion for 1959-60 and \$1.44 billion for 1960-61, even if the nondefense expenditures remain constant.

The 1958-59 budget, which was approved in principle by the cabinet in late January and will be voted on by the Bundestag in early March, pro-

vides for expenditures of \$9.41 billion, including \$2.4 billion for defense items. Nothing is provided for payment of support costs for foreign troops. The defense costs for 1959-60 are estimated at about \$3.8 billion and at \$4.7 billion for 1960-61.

The Bonn government plans a loan to help compensate for the deficit in the 1958-59 budget, and State Secretary Scherp-enberg has said that next year will see a sharp increase in German taxes to meet rising military costs. West German taxes are already among the highest in Continental Europe, and the American Embassy predicts that if the present defense schedule is maintained, the German taxpayer will probably show increased interest in limited disarmament as an easier alternative.

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PART III

PATTERNS AND PERSPECTIVES

CRISIS IN THE EAST GERMAN COMMUNIST PARTY

East Germany's Communist leadership is involved in a crisis. The increased opposition to Walter Ulbricht within the Socialist Unity (Communist) party (SED) as a result of the purge of three top leaders creates a serious problem for the Soviet Union. By retaining Ulbricht, who will attempt to maintain a unity based on repression and fear, the Kremlin risks increasing opposition within the SED and serious popular resistance. On the other hand, Ulbricht is completely loyal to Moscow and has adroitly adjusted to shifts in Soviet policy. His replacement by a moderate Communist who would espouse more liberal policies might result in demands for more relaxation which could not be turned down without risking a substantial increase in popular discontent.

Since Stalin's death in 1953, Ulbricht's domination of the party has survived only because of Soviet support. Influential East German Communists have repeatedly pointed out that Ulbricht's policies were unrealistic and against East Germany's best interests, only to be silenced by one means or another. Until the USSR is convinced that another East German Communist can maintain stability in the country, it will probably continue to back Ulbricht.

Stalin's Death and "New Course"

In the period immediately following Stalin's death, the moderate elements in the SED headed by Premier Grotewohl appeared to be gaining the upper hand. Ulbricht had re-established his supremacy by May 1953, however, when he forced through the party's 13th plenum a purge of politburo member Franz Dähle and others who had emigrated to the West during the

Hitler period. At the same time he re-emphasized the development of heavy industry at the expense of consumer goods.

The introduction of the "new course" in June 1953 appeared to indicate that moderate SED elements were again in the ascendancy, and, had it not been for the riots at that time, it is possible that they might have prevailed. Shocked by the revelation that the SED had no popular backing and that even party cadres in many instances had gone over to the rebels, the USSR was compelled to throw its support to Ulbricht and permit the internal readjustments necessary to consolidate his position in the party. Ulbricht purged his opposition--including, among others, former Security Minister Zaisser and politburo member Rudolf Herrnstadt--and the more moderate party leaders were forced to relinquish some of their functions.

Aftermath of the June Riots

Among those who rose to prominence as a result of the riots was Karl Schirdewan, a virtual unknown before 1953. He became a central committee member in July 1953 and was elected to the party secretariat and politburo in April 1954. By the summer of 1955, he had attained a position in the party second only to Ulbricht's. While Schirdewan had been considered an Ulbricht supporter, he was known as early as 1955 to have opposed Ulbricht on some issues.

Justice Minister Fechner--who had said East German workers had the right to strike--was replaced by "Red Hilde" Benjamin, and the long-time Communist thug and saboteur, Ernst Wollweber, was appointed state security chief to replace

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Zaisser. Many individuals throughout the party and government who had been identified with opposition to Ulbricht and his policies were swept out of office. While a few opponents, such as Premier Grotewohl and Deputy Premiers Rau and Selbmann, remained in important positions, Ulbricht by 1954 for the most part had succeeded in stacking the politburo and the secretariat with persons he could control.

Terror was the principal lever used by Ulbricht to achieve stability in the period between the riots and the fourth party congress in April 1954. Many party functionaries down to third- and fourth-echelon leaders were removed from their party posts, and a cadre training program was undertaken to rebuild the SED as an organization loyal to Ulbricht. The regime made maximum use of the courts and the internal security forces to carry out its intimidation campaign, which was intended to discourage antiregime activities and to prove that the state was capable of dealing with its "enemies." To "prove" that its internal problems were caused by outside agents, such as those who fomented the "fascist putsch" of 17 June, the regime conducted show trials which meted out heavy sentences.

At the fourth party congress, the party elected a new central committee which selected the politburo and the party secretariat. The congress abolished the central committee chairmanship--held jointly by President Pieck and Premier Grotewohl as representatives of the Communist and Social Democratic parties, which had merged in 1946 to form the SED. Ulbricht's dominant role was confirmed by his re-election as the central committee's first secretary. The composition of the new central committee--expanded from 51 to 91 full members and from 30 to 44 candidates--was notable for the

decline in Social Democratic strength to 12 percent from 29 percent in 1950.

Soviet 20th Party Congress

Stalin's denigration served to demonstrate again that the SED was not a strong, cohesive political machine. The party was shaken from top to bottom by controversy centered around Ulbricht. To most people, he represented the Stalinist "cult of personality." Many SED members pointed out that he was guilty of most of the misdeeds being condemned in Moscow. No changes in either the party or government leadership resulted from Stalin's downgrading, however.

While there was no mass rehabilitation of purged Communists as occurred in the USSR and the other satellites, the regime released from prison a number of persons said to have been unjustly sentenced, and some of those expelled from the party were reinstated. The punishments of several former party leaders were rescinded quietly.

The regime acknowledged the need for reform but was aware that any moves in this direction would tend to set in motion forces which might imperil the whole party edifice. Ulbricht had succeeded in building around him a personnel structure within the party which his removal would have brought down like a house of cards.

In his report on the 28th plenum in July 1956, Ulbricht called for some liberalization, but warned that this process should not be carried too far. He stressed that the new policies meant "democracy for workers and for the people, and not for hostile elements." Criticism of leading figures of the party and the state would not be tolerated, he warned. He blamed the flight of many East Germans

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to the West on "a bureaucratic and soulless attitude of state officials which violated the private interests of citizens."

The Hungarian Revolution

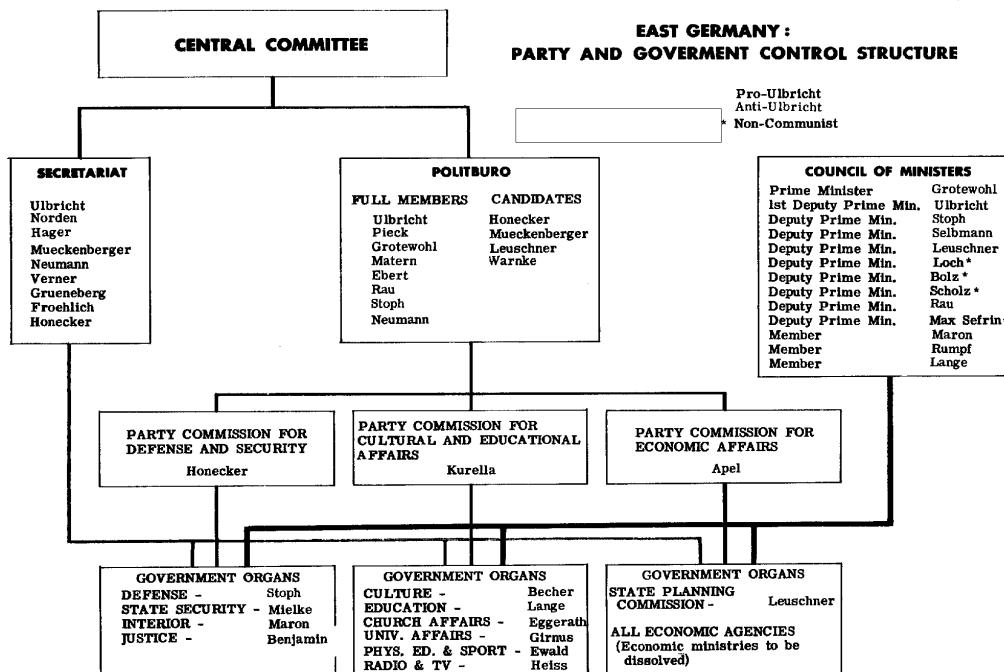
During the early stages of the Hungarian revolt, many SED functionaries sympathized with the rebels' demands. Some interpreted the Hungarian developments as indicating some prospect for Ulbricht's ouster. As reprisals against Hungarian Communist functionaries became known, however, the entire SED apparatus was forced out of self-interest to unite behind Ulbricht in the belief that the party could retain control in no other way.

Unrest and dissatisfaction among intellectuals and students which had been ignited by Stalin's denigration were intensified as a result of the revolution. The Harich case dramatized the disaffection of the intellectuals and the regime's

efforts to control this problem. Arrested in November 1956, Professor Harich and three associates were convicted in March 1957 for having formed a conspiratorial group to overthrow the German Democratic Republic. The group was charged among other things with having connections with "counterrevolutionary groups in Hungary." Harich's real crime was his proposal that the SED reform itself and his statement that this was impossible as long as Ulbricht remained in control. A few other trials of intellectuals were held, some university professors were fired, and students were suspended or expelled for refusing to conform to party dogma.

De-Stalinization Ends

The 30th plenum in February 1957 marked the end of de-Stalinization in East Germany. Ulbricht warned that the SED would no longer tolerate unbridled criticism of Stalin and



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Stalinism, and stated that all the party's forces would concentrate on the struggle against German imperialism and bourgeois ideology. He condemned national Communism, a heresy that had to be eliminated, as the antithesis of genuine Communism.

Ulbricht also called for tough measures to meet the crisis of intellectual unrest which by that time had reached dangerous proportions. His bitter recital of ideological failings, nonconformity, and general laxness was a powerful indictment of the party and probably represented its actual condition. He reiterated his determination to stamp out heretical ideas, enforce party discipline, and eliminate undesirable tendencies toward liberalization.

Growth of Opposition--1957

Opposition sentiment remained strong throughout 1957 but the divergent dissident elements lacked a leader. Many of the differences with the regime during this period were rooted in economic matters. Pragmatic economists like Deputy Premiers Oelssner, Rau, and Selbmann frequently found themselves in conflict with the Ulbricht group which was more interested in maintaining ideological purity than in accepting economic reality. The creation of an economic council in April to coordinate the country's economy appeared to be a victory for the economic realists. Instead of aiming at Ulbricht's overthrow, these men sought to persuade him to modify his harsh and unrealistic policies.

The opposition of Karl Schirdewan became apparent in the summer of 1957. He introduced proposals for a somewhat more liberal policy, but not going so far as had the Gomulka brand of Communism in Poland. By this time many party members appeared to be fed up with Ulbricht's dictatorial rule and

would have welcomed a change in leadership if it could have been accomplished without endangering the SED's unity or their own position. Some were said to be trying to convince Soviet leaders that Ulbricht's inflexibility was a handicap. Following the purge of Malenkov, Molotov, and Kaganovich in June, influential SED officials stepped up their efforts to induce Ulbricht to adopt a more reasonable policy.

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Ulbricht Re-endorsed

Khrushchev's effusive endorsement of Ulbricht during his visit to East Germany in August dashed all hopes for modified policies and was construed by Ulbricht as vindication of his hard policies. Khrushchev probably intended to ensure that no East German Communist would oppose Ulbricht and to warn would-be revisionists throughout the Soviet bloc that the unity of the Socialist camp must be maintained at all costs.

The central committee's 33rd plenum in mid-October 1957 launched a much harsher line--a decision probably arrived at during the Khrushchev visit in August. The party leadership embarked on an intensification of the class struggle with the aim of strengthening the socialized sector of the economy. The regime indicated its determination to proceed ruthlessly against the private farmer and artisan and to subordinate the interests of the individual to that of the East German state and the Communist bloc as a whole. The imminence of norm increases and wage cuts to increase production at lower cost were strongly hinted. With regard to those seeking to escape to the West, punitive action was threatened for both refugees and individuals aiding their flight.

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The 33rd plenum also revised the party's cultural policies. The establishment of a new cultural commission under Stalinist Alfred Kurella heralded a harsher policy in this field. Paul Wandel was dismissed from his post on the party secretariat because of Ulbricht's dissatisfaction with his handling of cultural and educational affairs.

Ulbricht also discussed a decentralization plan under which most of the industrial ministries were to be disbanded. This scheme imitated the decentralization plan adopted by the Soviet Union. Despite the protests of the majority of East German experts who warned that it would lead to economic chaos, Ulbricht succeeded in having the scheme enacted into law by the East German parliament on 11 February 1958.

In the weeks following the 33rd plenum, it became evident that the drive toward greater Communization was to be accompanied by more repression. The punishment for all crimes was made more severe, the political indoctrination program was intensified, and the party apparatus was overhauled to achieve greater efficiency. The Soviet Union, in approving such a tough policy, had probably decided that the only practicable course was complete repression, since even the limited liberalization permitted after the Soviet 20th party congress had unleashed too many dissident forces.

The suicide in December 1957 of secretariat member Gerhardt Ziller threw the party into an uproar. Ulbricht reportedly had threatened to make Ziller, who up to this point had been loyal to him, the scapegoat for East Germany's troubles. Probably more than any other single factor, Ziller's suicide served to consolidate Ulbricht's opposition.

The Purge

At the party's 35th plenum, held from 3 to 6 February this year, Ulbricht emerged the victor in a bitter intraparty struggle with an opposition group which had favored a more moderate approach to East Germany's political and economic problems. He purged two politburo members--Schirdewan and Oelssner, once the party's leading theoretician. Former Security Minister Wollweber was ousted from the central committee. These men were charged with opportunism, deviationism, and revisionism.

There are indications that neither the purge nor the opposition to Ulbricht has ended. Such prominent party officials as Premier Grotewohl, politburo member and Defense Minister Willi Stoph, and Deputy Premiers Selbmann and Rau are reported to be lined up against Ulbricht. If Ulbricht is to maintain his leadership, he will have to continue purging, not only top men but the party apparatus as well. As long as Ulbricht enjoys Soviet support, none of his opponents, including Schirdewan, who is reported to have many supporters, is likely to be able to overthrow him.

Medium- and lower level party functionaries reportedly have been thrown into a state of confusion by the purge. Many believe the views of the Schirdewan group are sound and that Ulbricht's action will destroy party unity. SED members in the industrial ministries are badly demoralized. They consider that anyone identified with Schirdewan or the grumbling economists, as many of them apparently are, will probably be discriminated against in the reassignments which will follow decentralization.

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Soviet Policy

A cardinal point in the Kremlin's Eastern European policy is to build up the East German regime, not only as a counterweight to Bonn but to secure acceptance of East Germany as one of two legitimate German states. The USSR intends to use East Germany in its effort to achieve Communist control over all of Germany. It hopes, therefore, to continue the present stalemate over German reunification for an indefinite period pending circumstances more favorable to the attainment of its objective. The USSR is pushing the idea that each German state is entitled to and must be accorded equal standing in international law and in the community of nations. In this way the Communists expect Germany's division to become sanctioned by usage and the reunification issue to become less pressing as the Germans and the world in general adjust to the situation.

The concept of East German sovereignty has been pressed vigorously by the USSR in recent months. It has turned over to East Germany the visa-issuing power over Allied nationals traveling in East Germany. This effectively bars travel in East Germany--except to Berlin--by Allied personnel unless they accept East German documentation for the journey. American requests for overflights of East German territory outside the air corridors have been refused by the Soviet Union on the grounds that the granting of such permission is now an East German prerogative.

To further the concept of East German sovereignty, the USSR needs a government which is able to maintain stability and which has an aura of respectability. Until the present crisis, the Ulbricht regime has been able to meet the first requirement reasonably well

but has fared poorly on the second.

Removal of Ulbricht would hinge on the Soviet Union's estimate of the consequences of such action--whether it believes another East German Communist could maintain control.

The new "crown prince" of the SED--Erich Honecker--is a relatively young veteran who might be entrusted to head the SED. Since his return to East Germany is early 1956 from two years' training in the USSR, Honecker has headed the party's security department. He is an Ulbricht adherent and an ardent Stalinist. Although he appears to be the most likely candidate to succeed Ulbricht, it is doubtful that he has sufficient support in the SED to enable him to control the turbulent situation which would follow Ulbricht's removal.

Facing a deteriorating situation, Ulbricht may consider it necessary to purge deeply and ruthlessly in order to maintain control. While he appears to have won a victory, the purge may set in motion forces too strong for even him to cope with. The USSR might then find that it cannot avoid open intervention in SED affairs. As in the case of Rakosi in Hungary, the USSR may decide it is no longer profitable to support Ulbricht.

Ulbricht's ouster would undoubtedly be welcomed by most SED members as well as by the East German population as a whole. This does not mean, however, that his successor would enjoy popular support. The populace might take Ulbricht's removal as a sign of relaxation and demand genuine reforms which any Communist would be unwilling and unable to grant. With 17 June 1953 and the Hungarian revolt in their memories, most East Germans are likely to be cautious about trying the patience of the Soviet troops. If

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violence broke out, however, only armed intervention by these forces could restore order.

Taking all these factors into consideration, it seems clear that the Soviet leaders would remove Ulbricht only if they considered he no longer could maintain party control and if they believed they had another reliable Communist who could cope with the situation. There may be an attempt to build up another leader gradually and let him take over by stages rather than risk a sudden shift in leadership. Some

Communists now under a cloud, such as Schirdewan, Selbmann, or Rau, could conceivably be tapped to head the regime.

The new men recently elevated by Ulbricht to leading positions are regarded by most party members as ambitious but incompetent opportunists who are concerned only with furthering their careers. Entrusting vital political and economic tasks to such individuals could only have detrimental effects on the internal situation.

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THE TAIWANESE AND THE CHINESE NATIONALIST GOVERNMENT

The Chinese Nationalist Government has shown increasing concern during the last two years over relations between the native Taiwanese and Chinese mainlanders on Taiwan. This concern stems partly from increasing Taiwanese interest in politics and partly from the induction into the army of increasing numbers of Taiwanese, who lack the mainlander's desire to return to the mainland. If liberal mainlander elements support Taiwanese demands for political and economic reforms, Chiang Kai-shek may be forced

to increase emphasis on developing Taiwan at some cost to his military and austerity policies.

Taiwanese-Mainlander Relations

Relations between the 8,000,000 native Taiwanese and the 2,000,000 mainland-born Chinese on Taiwan are not close. Most Taiwanese have not forgotten the 1947 massacre which followed their revolt against the corrupt rule of Governor Chen Yi and many, particularly former landowners, remember Japanese rule with nostalgia. The peasants,

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however, who have benefited from land reform, are more favorably disposed toward the Nationalist Government.

The cultural differences between the two groups are sharp. Most mainlanders cannot understand the South Fukienese dialect of the Taiwanese, and the majority of Taiwanese either cannot comprehend or have great difficulty understanding the Mandarin used by government officials and the army. The Taiwanese resent the superior status and privileges assumed by the mainlanders, while the latter often regard the Taiwanese as inferior, stingy, and devoid of human feeling. There is very little social mixing between the older generations of the two groups.

Nevertheless, in the opinion of most observers, relations are gradually improving. Taiwanese children educated in government schools, required to study the Mandarin dialect and Chinese history and culture, do not share the attitudes of their elders educated by the Japanese. The children of mainlanders, on the other hand, often adopt the outlook of the Taiwanese. If the government continues its present policies, something akin to a synthesis of the two groups may emerge over the long term. However, if the government becomes alarmed at the growth of this process and adopts repressive policies motivated by distrust and suspicion of the Taiwanese, differences will sharpen and tensions rise.

Taiwanese in Armed Forces

In December 1954, the government began to draft Taiwanese into the armed forces to fill existing vacancies and replace mainland veterans. Today about 35 percent of the armed forces are Taiwan-born, with a 50-percent figure predicted by next year. Few Taiwanese become professional soldiers, most be-

ing released at the end of a two-year term of service, but in the future it will be necessary to fill at least the junior officer ranks with locally born men.

Although the induction of Taiwanese into the services has proceeded smoothly, the Nationalist regime is quite concerned about the attitude of these soldiers. It believes that without the mainlander's drive to return home, Taiwanese troops lack the needed enthusiasm for an attack against Communist China. Strenuous efforts have been made to indoctrinate the Taiwanese, who accept discipline stoically and learn their military skills well, but the effect is doubtful.

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It is likely that the 50-50 ratio of mainlanders to Taiwanese in the services will by 1959 be stabilized for the next few years. Enough mainland-born youths will be available to replace veterans who leave the service, and newly inducted Taiwanese will replace others who have served their term of service. Ultimately, possibly in about seven years, the ratio of Taiwanese will increase at a rapidly accelerating rate. Problems of age will make it impossible to retain the mainland veterans in service and the army will become Taiwanese.

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Taiwanese Political Activity

Except for small emigré groups in Japan, there are no known Taiwanese movements which openly seek Taiwanese independence. Occasionally, the Chinese Nationalist police uncover an underground organization, but controls are so strict that no widespread revolutionary activity is believed to exist. Communist influence is also believed to be slight. The most important overseas refugee group, that of Thomas Liao in Japan, is thought to contain only a few hundred members.

There are, however, some indications of a revival of Taiwanese interest in legal political activities. Many Taiwanese leaders, recognizing that independence is an unrealistic goal, have been urging specific reforms and increased local autonomy. They have roundly criticized such items as the household tax, the national defense surtax, and the complicated system of economic and foreign exchange controls, and their views are identical to those of liberal mainlanders.

Very few Taiwanese organizations as such are permitted to exist. The most important is the Taiwan Youth Cultural Association, an affiliate of the anti-Communist Youth National Salvation Corps led by President Chiang's elder son, Chiang Ching-kuo. It is a Kuomintang organization, and the Nationalist Government probably views it as an instrument for indoctrination. It allegedly is controlled, however, by the determined young men on its standing committee who are attempting to use it for their own purposes. Their true goal is to build a strongly disciplined body devoted to the secret creed of "freedom, democracy, anti-Communism, and opposition to mainlanders."

Another group, called the Local Self-Government Study

Group, was formed late last year. The public aim of this group, which includes many prominent Taiwanese politicians, is to further democracy at local and provincial levels, an objective to which the Nationalist Government pays lip service. Its true purpose, however, is to work for Taiwan independence by gradually developing a Taiwanese opposition party.

This group has already aroused police suspicion. Its press organ Self-Government, financed by many of the organization's founders, is under investigation. The basic purpose of this publication is to print the speeches of opposition members of the Taiwan Provincial Assembly which are not made available to the public elsewhere. A liberal vernacular magazine stated on 1 January that the police had seized copies of Self-Government from newsstands. The police may harass the organization and its publication and cripple its effectiveness.

Outlook

Chinese Nationalist policy is increasingly taking account of the Taiwanese. In the opinion of Western-oriented Foreign Minister George Yeh, the Kuomintang, which already is confronted with the problem of curbing the conflicts among its own internal cliques, must improve its relations with the Taiwanese if the Nationalist position is not to disintegrate rapidly.

If liberal mainland elements and Taiwanese leaders can cooperate in pressing for reforms, particularly in the Provincial Assembly, where political contact between the two groups is closest, the Nationalist Government may yield and modify certain of its military and austerity policies in favor of the economic development of Taiwan. If, as seems less likely, the government responds by adopting increasingly harsh repressive

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measures against both Taiwanese and liberal mainlanders, tensions will rise, and the present trend toward improved relations between the two groups will be reversed. In any event, their

relations may become critical in a few years when Chiang's mainlanders soldiers have to leave the armed forces in large numbers because they are overage.

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